

Message Text

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AMCONSUL HONG KONG

C O N F I D E N T I A L TOKYO 0678

DEPT PLEASE PASS: ON BEHALF SENATOR RICHARD STONE TO:
SENATOR JOHN GLENN

NORVILL JONES, CHIEF OF STAFF, COMMITTEE ON FOREIGN RELATIONS

E.O. 11652: N/A
TAGS: OREP
SUBJECT: HONG KONG DEVELOPMENTS

FOLLOWING REPORT PREPARED BY SENATOR STONE.

1. GOVERNOR-GENERAL CONFIRMS GOOD RELATIONS WITH PRC.
HE SAID BILATERAL RELATIONS "ARE THE BEST EVER.
GOVERNOR THINKS PRC MADE A HARD ANALYSIS IN 1967-1968 AND
CONCLUDED THAT, ON BALANCE, HONG KONG VALUABLE
AS FINANCIAL CENTER.
2. FOREIGN EXCHANGE REVENUES EARNED IN HONG KONG PROVIDE
30-40 PERCENT OF PRC'S ANNUAL TAKE. NO ACCURATE ESTIMATE OF
PRC INVESTMENT AVAILABLE.
3. STEADY STREAM OF ROC OFFICIALS PASSING THROUGH HONG
KONG INTO PRC ACCORDING TO PRIVATE SOURCES. THESE SAME
INDIVIDUALS ESTIMATE ANNUAL LEGAL AND ILLEGAL TRADE
BETWEEN PRC-ROC ABOUT \$40 MILLION (US) ANNUALLY.

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4. ANALYSIS OF INTERNAL CHINESE DEVELOPMENTS SIMILAR
TO OTHER POSTS. SENATOR STONE HAD INFORMATIVE SESSION
WITH DAVID WILSON, POLITICAL ADVISOR TO THE GOVERNOR
AND UK CHINA EXPERT. WILSON BELIEVES PRC OIL EXPORT
LIKELY TO BE MINIMAL GIVEN INTERNAL DEVELOPMENT GOALS
AND RELUCTANCE TO ACCEPT JOINT VENTURES. OF COURSE,
IMPORTANCE OF HONG KONG WOULD BE LESSENERED IF PRC

EMERGED AS A MAJOR OIL EXPORTER.

5. WILSON THINKS NORMALIZATION IS DESIRABLE AND PERCEIVED LITTLE NEGATIVE REACTION IN S.E. ASIA BECAUSE THESE NATIONS WOULD RECOGNIZE THE POLITICAL ASPECTS OF ACTION. I ASKED WHAT MIGHT BE THE INTERNAL PRC REACTION IF OTHER WESTERN NATIONS EXPANDED RELATIONS, BUT THE U.S. DID NOT "NORMALIZE." HE RESPONDED THAT SO LONG AS OTHER WESTERN STATES DEALT WITH PRC, THE GROUPS FAVORING LINKS WITH THE WEST WOULD BE SUSTAINED. HOWEVER, HE EMPHASIZED THAT US-PRC-BILATERAL RELATIONS WOULD WORSEN WITH UNKNOWN DANGERS. TAIWAN IS, IN HIS JUDGMENT A DEEP EMOTIONAL ISSUE WITH THE PRC LEADERSHIP. THE REAL POLICY ISSUES ARE HOW MUCH OF A HURRY THE PRC IS IN AND WHAT PRESSURES THE PRC WILL MOUNT ON THE US TO SPEED NORMALIZATION.
SHERMAN

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